

**SCOTTSDALE TOURISM DEVELOPMENT COMMISSION
CITY OF SCOTTSDALE
ECONOMIC VITALITY OFFICE
4021 N. 75TH STREET, SUITE 102
SCOTTSDALE, ARIZONA 85251
MARCH 15, 2011
REGULAR MEETING
APPROVED MINUTES**

PRESENT: Kate Birchler, Chairwoman
Mike Surguine, Vice Chairman
Ace Bailey, Commissioner
Kathleen Glenn, Commissioner
Michael Hoffman, Commissioner

ABSENT: David Richard, Commissioner
Leon Young, Commissioner

STAFF: Steve Geiogamah, Tourism Development Coordinator
Bob Tunis, Economic & Tourism Development Manager
Rita McCleary, Economic Vitality

GUESTS: Rachel Sacco, SCVB
Brent DeRaad, SCVB

1. Call to Order/Roll Call

Noting the presence of a quorum, Chairwoman Birchler called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:01 a.m.

2. Approval of Minutes

- February 15, 2011 Regular Meeting

VICE CHAIRMAN SURGUINE MOVED TO APPROVE THE MINUTES OF THE FEBRUARY 15, 2011 REGULAR MEETING. COMMISSIONER HOFFMAN SECONDED. THE MOTION CARRIED BY A VOTE OF FIVE (5) TO ZERO (0). COMMISSIONERS RICHARD AND YOUNG WERE ABSENT.

3. Manager's Report

- a. Staff Bed Tax Collection Report

Mr. Geiogamah reported an increase in bed tax revenues compared to last January, with \$1.4 million collected for business activity in December. This was 16% higher than last year. Hotel/motel sales tax change was up 4%, miscellaneous retail sales tax was up 12%, and the restaurant sales tax was up 12%. By hotel category when compared to last year resort hotels were up 6.9%, full service hotels up 5.2%, and limited service increased 5.7%.

Chairwoman Birchler invited comments from the Commission regarding January business activity. Vice Chairman Surguine noted that since this was a BCS year, the higher numbers were not too surprising. February's report will probably not be as strong. March has been good so far, but so was last March.

Commissioner Bailey said everybody is raving about March except for the downtown merchants for some reason. With the exception of Talking Stick, attendance at spring training games has been down. Chairwoman Birchler reported that retail has been doing okay. The Canadian business has been strong, and there is optimism about the rest of the spring training season.

b. Bed Tax Proforma

Mr. Geiogamah said staff will have expenses updated through the month of February available at next month's meeting. Bed tax revenues collected through February were \$3.1 million.

c. Smith Travel Report

Mr. Geiogamah reported that for the month of January, occupancy was up 3%; the ADR was up 8%, while RevPar was up 11%. Year to date occupancy was up 3%, ADR was up 8% and RevPar was up 11%.

d. Manager's Update

Mr. Tunis asked whether the starting time of the meeting was acceptable to the Commissioners. The Commissioners indicated that it was.

Mr. Tunis summarized the work plan for upcoming staff projects. The first priority is the five-year plan, followed by the City Council work study session. The events policy will have to be completed by June. Mr. Geiogamah said the five-year plan would probably take through the end of summer to complete. Chairwoman Birchler requested that an action item to do list to be included as part of each manager's report.

4. Proposed Tourism Development Commission City Council Work Study Session

Mr. Geiogamah presented the three proposed agenda items for the TDC work study session with Council. The items were compiled from discussions that took place at the November work study session, from follow-up subcommittee meetings, and from regular TDC meetings. The three agenda items are:

1. Review and discuss the impact of tourism on Scottsdale.
2. Review and discuss tourism program bed tax funding allocation policies and priorities.
3. Review and discuss the current City event program in order to establish City policies that optimize event program efficiencies.

Mr. Geiogamah said the next step will be to present the agenda items to the Mayor's Office, who will review it and possible schedule either a work study meeting or a City

Council presentation. Chairwoman Birchler stressed the importance of setting a firm date for the meeting prior to the end of the fiscal year, because a major part of the discussion will focus on the non-destination marketing portion of the bed tax, and information has to be distributed to event producers by June.

Vice Chairman Surguine felt that the third agenda item failed to capture what the TDC has been talking about. It is not just a discussion on the nuts and bolts of how special events work through the City's process, rather it takes a big picture view of how special events are marketed, and considers what is best for Scottsdale and tourism in the world of special events. The Council would be more interested in an all-encompassing discussion like this.

Commissioner Glenn said the new Commissioners especially would benefit from an explanation of how the current process works. Mr. Geiogamah said the next scheduled subcommittee meeting would be a good time for that presentation. If that does not work, there could be a presentation at the next TDC meeting.

Chairwoman Birchler stated that the goal should be to find a way to streamline the process. Event producers have indicated that the current system is broken. Commissioner Hoffman suggested studying other comparable destinations to pick up tips on best practices.

5. Tourism Development Commission Proposed Bylaws Update

Mr. Geiogamah noted that the TDC reviewed a draft of the proposed bylaw changes last month. The request for changes came about as part of the 2009 boards and commissions audit. The requested changes reference City Code 2-285, and Ordinance 2049. Once the requested changes are approved by the TDC, they will be signed and forwarded to the City Clerk's Office. In response to an inquiry from Ms. Sacco, Mr. Geiogamah explained that the City Code is not changing, merely the reference to it in the bylaws.

Vice Chairman Surguine noted a discrepancy between Ordinance 2049, and City Code 2-285. Mr. Geiogamah explained that Ordinance 2049 was the original document that defined the TDC, while the City Code was revised in 2004 to incorporate additional changes. The bylaws reference both documents, but the City Code changes supercede the original ordinance.

Commissioner Hoffman noted language suggesting that the TDC should consist of a minimum of four hoteliers and one member of the CVB, with the balance from other elements of the tourism industry. Chairwoman Birchler said that would mean one CVB person should be sitting on the TDC. Mr. Geiogamah explained it refers to someone who is a member of the CVB.

COMMISSIONER HOFFMAN MOVED TO APPROVE THE BYLAWS REVISION AS SUBMITTED. COMMISSIONER BAILEY SECONDED. THE MOTION CARRIED BY A VOTE OF FIVE (5) TO ZERO (0). COMMISSIONERS RICHARD AND YOUNG WERE ABSENT.

6. Tourism-Related Capital Projects Evaluation Process

During the February 8 subcommittee meeting, there was some discussion on how to evaluate tourism related capital projects. Mr. Geiogamah presented information on ways to analyze capital projects that come before the TDC. The criteria presented included eligibility core items, criteria incorporating community planning processes and policies, and tourism-related criteria. Mr. Geiogamah stated that the subcommittee or TDC could use the criteria to evaluate projects that are coming up for review before City Council.

Chairwoman Birchler said the TDC should play a role in the evaluation process. City Council should consider the TDC's recommendation as part of their evaluations. Commissioner Hoffman noted that one of criteria stipulates that spending by winter visitors be taken into account, but he felt that was misguided. Projects should aim to attract visitors all year long. Vice Chairman Surguine said he would like to see a limit on the percentage of tourism bed tax dollars that could go to any single project. Research should be concentrated on the larger projects. Chairwoman Birchler requested that the TDC be provided with a list of capital projects that the City is currently considering.

7. FY2011/12 Destination Marketing Preliminary Scope of Work

Ms. Sacco presented the strategic outlook on programs for the upcoming year. In terms of the budget, over \$700,000 will be carried over from the current year. That amount, combined with the increase in revenue, gives the CVB approximately \$1.6 million to work with. About \$1.2 million will go into marketing and advertising; the remaining \$400,000 will be split between sales, communications and tourism. The administration line item remains flat, and has been decreasing over the past few years.

In terms of marketing, the bulk will utilize VICA and other research. The majority of the presence will be in New York, Chicago and Los Angeles. The overall spend in New York and San Francisco will be increased. Some marketing will be done in emerging markets such as Denver, and Minneapolis. Canada will continue to be a focus as there is real momentum there. VICA research suggests that the Pacific Northwest is an emerging area of opportunity, so buys will be made in Portland, Seattle and Vancouver. Online advertising is being increased. There are new tools available that could make an impact. Search engine marketing will be increased, as this area has produced good results recently. The mobile site will be enhanced. METROPOLL and VICA will continue to be among the research options used by the CVB.

There has been a shift in the golf market. It has traditionally been one of Scottsdale's main staples, and should not be allowed to slide. The CVB is looking at different ways to promote it. Some extra money is being spent to attract desert exploration and adventure travel. The Sonoran Desert clearly resonates with people. The CVB is also looking at ways to capitalize on Scottsdale's art and architectural assets, including developing guides and maps. Remaining dollars will be plugged into important events.

Ms. Sacco said the budget for convention sales has greatly increased and the CVB is restoring sales missions that were cut from previous budgets. Small regional trade shows are also being added. Incentives will be offered to lure corporate business, which is beginning to rebound. Scottsdale's success in the sports area will depend on the

availability of City facilities. The airfare budget is being increased to fly customers in and sell them on the idea of booking Scottsdale for their event. Seven FAMs will be held this year.

The communications budget is being increased in an effort to generate more editorial coverage. All of the CVB's programs are being used to leverage one another. The CVB's international tourism sector is largely dependent on the State's Office of Tourism budget. Scottsdale essentially is acting as the Office of Tourism in Europe right now. The CVB has found trade co-ops effective, so spending will continue in that area. The new destination guide has been very popular and effective, with 84% of recipients converting to visitors.

Chairwoman Birchler said the large number of Canadian visitors is a testament to the CVB's efforts. Commissioner Bailey stated that the CVB's search engine optimizers have been very effective. The travel writers have also greatly helped to increase exposure. Vice Chairman Surguine inquired whether the VICA research revealed any unexpected surprises. Ms. Sacco said VICA has helped pinpoint buys which can save a lot of money in expensive markets like New York. It also helps highlight the growing importance of San Francisco and the Pacific Northwest as target markets.

8. FY11/12 Event Funding Program

Mr. Geiogamah said the subcommittee reviewed two event funding program options in response to some issues that have continuously come up over the years, including room-night verifications, new event funding, and the possibility of a tiered funding structure.

Option A would move the focus toward the impression values associated with event advertising investment as opposed to generated room nights. It would use three different tier structures based on the value of a particular event, with Tier 1 events having the greatest visitation numbers and economic impact.

Option B introduces a value added focus. It emphasizes a proposal process, rather than an application process. The idea is to move away from room-night verifications into demonstrating how events can enhance visitation and their advertising programs. Funding would be specifically allocated to those enhancements. This option is focused towards new events, which could receive funding priority.

Mr. Geiogamah said the subcommittee preferred Option A. Mr. Tunis clarified that the focus of Option A is on marketing, which is all-encompassing, rather than simply advertising. Vice Chairman Surguine clarified a comment he made during the subcommittee meeting. He felt the money Scottsdale could provide to an event like Barrett-Jackson could potentially be better used on something besides advertising. The TDC should keep in mind that the event producers likely have many new and creative ideas for utilizing that money to market their event.

Chairwoman Birchler suggested that staff and the CVB create one document describing the approach towards the event program and event funding as a whole. It should be more than just a document on policies and procedures; it should incorporate the

expertise of marketing experts. Mr. Geiogamah said staff would meet with the CVB prior to the next subcommittee meeting for just that purpose.

Chairwoman Birchler said the name Tourism Facilities and Program Development Subcommittee, in retrospect, seems wordy and hard to remember. The Commission opted to return to the name Tourism Program Development Subcommittee. Likewise, all references to the non-marketing portion of the bed tax should be "tourism program development dollars." Once the subcommittee reviews the tourism marketing plan and the TDC approves it, it should go to City Council. Vice Chairman Surguine said this project is the most important thing the TDC will do all year.

9. Fiesta Bowl and P.F. Chang Rock 'n' Roll Marathon Performance Recap

Mr. DeRaad reported that the Fiesta Bowl match up of Utah versus Oklahoma led to the lowest occupancy for the game since the process started. Besides that, Scottsdale occupancy was up over the rest of the Valley by 9%, ADR 85% and RevPar were more than double. The CVB each year typically takes a look at a five-night period around the game.

Scottsdale was able to beat the rest of the Valley during the BCS time frame as well. The occupancy advantage was 5%, ADR 66%, and RevPar 74%. The rates were much higher during the last BCS game in 2007, but that was a substantially different time economically. The 2011 numbers were still good though. The night before the BCS game had a 90% occupancy rate, and the game night occupancy was 96.5%. The only night with a higher occupancy on record was the BCS game night in 2007.

Mr. DeRaad stated that the CVB is in the midst of a 20-year agreement with the Fiesta Bowl to keep the teams staying and practicing in the Scottsdale/Paradise Valley area. That includes media, alumni, university bands, and other official groups. The agreement was initially arranged to secure business once the Fiesta Bowl agreed to move from Sun Devil Stadium to the University of Phoenix stadium in the West Valley. The agreement made it possible to not only retain that business, but has increased the area's advantage over the rest of the Valley.

The marathon produced surprising results, considering the series has expanded from three markets to 16. Expansion threatens to cut into the number of out of state runners who participate in the Scottsdale event. Scottsdale's advantage over the rest of the Valley increased. The race continues to attract 32,000 to 35,000 runners annually. It is the world's largest combined marathon and half marathon event. The CVB has two years left on the current agreement. The economic impact numbers should be released in a week or so.

The impact of the auto auctions was tremendous. Scottsdale and Paradise Valley outperformed the rest of the Valley during the six nights studied. The mid week numbers, when all four auctions were running, were even higher than the weekend numbers.

Chairwoman Birchler asked whether City Council would have a chance to review this information, as it would help communicate the TDC's message. Mr. DeRaad said the CVB has regular opportunities to report to the City Council. Chairwoman Birchler said

the TDC considers the CVB a partner, and accordingly they should participate in the work study session with the Council.

10. Identification of Future Agenda Items

Chairwoman Birchler requested that Brian Dygert be invited to present an update on the Equidome. She requested that the Chamber of Commerce provide an overview of the their plans, given the emphasis they have placed on tourism.

11. Public Comment

There were no public comments.

12. Adjournment

The meeting adjourned at 9:28 a.m.

Respectfully submitted,
A/V Tronics, Inc. DBA AVTranz.